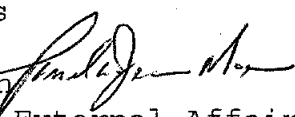




FEDERAL RETIREMENT THRIFT INVESTMENT BOARD
1250 H Street, NW Washington, DC 20005

May 6, 2003

MEMORANDUM TO Civilian and Uniformed Services TSP Payroll
Office Coordinators

FROM: Pamela-Jeanne Meran 
Deputy Director of External Affairs

SUBJECT: Implementation of the New TSP Record Keeping
System

This memorandum discusses the transition to the new Thrift Savings Plan (TSP) record keeping system. Although we have not formally announced a June 2003 implementation date, we are moving forward with this timeframe. We will be firming up a final decision in the second half of May; however, we will be in touch with you throughout the month as we continue testing. If the decision is made not to implement in June, the implementation will be in July.

This memorandum also discusses minor changes as to how the TSP will process certain agency submissions in the new record keeping system. There are no changes to payroll office submission requirements, which are explained in TSP Bulletin 02-19, dated June 27, 2002.

Testing. Because payroll offices are already submitting data using the record formats for the new system, we anticipate minimal formal testing between the payroll offices and the TSP record keeper. We will continue testing the new system by "parallel-processing" your submissions. This means the submissions will post to your participants' accounts in the current system and in the test environment of the new system. You will continue to receive the current reports to reflect the actual processing of the transactions and any action you must take (e.g., to correct an erroneous submission).

You will also receive new system reports to reflect the processing of the transactions in the test environment. In addition, because we will also be "parallel-processing" participant-initiated transactions (e.g., loans) in the

test environment, you will receive the new system test reports to reflect your requirements (e.g., begin loan payments). All new system test reports will be identified as such and will be printed on salmon-colored paper. **Please use the test reports that you receive to address the system problems identified with your submission; they should not be used for accounting reconciliation or participant inquiry purposes.** For an explanation and copies of the new system reports, see TSP Bulletin 02-16, dated June 12, 2002.

The Agency Technical Support Section (ATSS) at the National Finance Center will contact you before we transmit the test reports to you. ATSS staff members may also be contacting you if they identify any conditions or errors which may be problematic in the new record keeping system.

Other transitional activities. In June, after the current system's monthly processing cycle is completed, we will begin the data conversion process to the new system. Payroll office submissions that are received after May 30 will not be processed until the conversion is completed. We will then process these submissions in the order they were received, under the rules of the new system. However, the submissions will not be considered late (and breakage will not be assessed for the current payment records on these submissions) because we will use the receipt date as the process date and we will use the share prices for the respective receipt/process date.

We anticipate completing the processing of the submissions we receive during our conversion process by June 16. Therefore, we expect the first reports from the new system should be issued by mid-June. You will receive the new system reports to reflect the processing of the submissions that were held during conversion (as well as all subsequent submissions). Also, beginning in June, you will receive the new reports to reflect the actions you must take as a result of participant-initiated loans and financial hardship in-service withdrawals.

Processing changes. The TSP will convert only three years of contributions data to the new record keeping system (sixteen years of contributions data is on-line in the current system). Consequently, if a payroll office submits a late contribution or a makeup agency contribution which should have been made before June 1, 2000, the resulting

breakage (or lost earnings) cannot be determined by using the participant's contribution allocation for the date the contribution should have been made because the data to determine the allocation will not be systemically available. In addition, if a payroll office submits a negative adjustment to a contribution that had been made before June 1, 2000, the present value of the adjustment cannot be determined.

Therefore, the processing rules contained in Section V of TSP Bulletin 02-19 are changed as follows: (1) if a payment record contains an "as of" date that is earlier than June 1, 2000, the breakage posted to the participant's account will be calculated using the **greater of** the G Fund monthly return and share price or the average monthly return and share price for all TSP investment funds, and (2) if a negative adjustment record contains an attributable pay date that is earlier than June 1, 2000, the negative adjustment will not be processed. Payroll offices may wish to suppress the transmission of a negative adjustment to a contribution that was made earlier than June 1, 2000, but there is no requirement to do so. If the negative adjustment is submitted to the TSP, it will be rejected.

One final processing change is being made to replicate the current \$1 de minimis for lost earnings. In the new record keeping system, if the total amount on a late payment record or loan payment record is less than \$1, breakage will not be calculated. If the total agency contributions on a current payment record containing an "as of" date to designate a makeup contribution is less than \$1, breakage will not be calculated. This means the contributions will simply be posted to the account.

Questions. We will make every effort to keep this transition to the new system as smooth as possible for you. If you have any questions, please contact us at (202) 942-1450 or the ATSS at (504) 255-5110.